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IN-STORE FEEDERS

Rebuilding through innovation—Pages 43-49

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Norman Brinker (right), who left Pillsbury to become the chairman and ceo of Dallas-based Chili's, with Larry Lavine, Chili's president.

Brinker departs Pillsbury to take on Chili's challenge

By Charles Bernstein

DALLAS—Deciding that life begins at 51, Norman Brinker has voluntarily walked away from a $700,000 annual compensation package, untold benefits and the power and glory of the Pillsbury restaurant empire to return to his origins of being an innovative risk-taking entrepreneur. (See Editor's Corner, Page 6.)

As the new chairman and ceo of the 23-unit Dallas-based Chili's upscale hamburger-Mexican food chain, Brinker faces the challenge of trying to catapult a "hot" concept to national prominence against numerous imitators springing up—Houston-based Spoons for one—and against specialty chains of all types.

"I love the idea of a high-risk challenge," declared Brinker. "Everything is in place at Pillsbury restaurants, so the timing is ideal." He also apparently loves the idea of being set in his home town of Dallas rather than traveling back and forth to BK's Miami headquarters and Pillsbury's Minneapolis headquarters.

He resigned as Pillsbury restaurant group president (Steak & Ale, Bennigan's, Burger King and a portion of the newly acquired Haagen Dazs) and as Burger King and S&A Restaurant Corp. chairman and ceo while continuing as one of Pillsbury's largest stockholders and as a board member.

Brinker brings a winning track record and professional expertise to privately held Chili's, which had prospered under president Larry Lavine, 38, and his brother, treasurer Jack Lavine, 41, but which needed an infusion of extra restaurant savvy to go further.

Ironically, Pillsbury offered $14 million to acquire perhaps half of Chili's last year, and when Chili's spurned the deal Pillsbury went ahead with its

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FAST SEAFOOD AT A GLANCE

	Long John Silver's	Captain D's	Skippers
Units	1,296	428	140
Franchised	532	204	20
Company-owned	764	224	120
Average Annual Unit Sales	$437,000	$560,000	$400,000
Average Check	2.90	2.85	3.50
Total Sales	563.2 million	239.6 million	33.0 million
Ownership	Jerrico Inc.	Shoney's Inc.	Skipper's Seafood 'N Chowder House Restaurants Inc.
Headquarters	Lexington, Ky.	Nashville, Tenn.	Bellevue, Wash.

Source: *NRN* Research

Woolworth signs pact to convert 50 in-store restaurants to BKs

By Roman Czajkowsky

NEW YORK—An agreement finally reached last month to put Burger Kings in a number of Woolworth general merchandise stores is a major coup for BK, which has aggressively sought to widen its institutional market.

For its part Woolworth hopes the conversions will "substantially" increase customer traffic in its department stores. The New York-based company, which in recent years has taken a number of steps to redeploy its assets, has also been moving to revamp its food-service operations, now a hodgepodge of luncheonettes, coffee shops and cafeterias.

Negotiations between the two retailers, earlier reported by *Nation's Restaurant News*, began at least a year ago. But the final pact was not signed until last month in part because of recurrent management changes at both companies, according to a BK official. Under its terms, at least 50 Woolworth food-service units in the United States will be converted over the next five years, with the first two scheduled to open in the New York City area this fall.

The units will be operated by Woolworth, which will pay Burger King the standard franchise fees and royalties—an initial $40,000 per unit, 3½% of sales in royalty and an additional 4% of sales for advertising.

J. Jeffrey Campbell, newly named Burger King chairman and chief executive officer, called the Woolworth agreement "a major victory" in the chain's quest for top urban restaurant sites. "Many of the sites being considered for conversion are in very busy locations we wouldn't be able to get any other way," Campbell said.

Woolworth's Burger Kings will feature standard decor and menu, although most should

(Continued on page 90)

Taubman remaking A & W with new upscale concept

By Charles Forman

SHORT HILLS, N.J.—Slapping mugs of frosty root beer into the palms of local politicos, grinning infectiously as he posed for press photographers and clasped the hands of well-wishers, mall developer A. Alfred Taubman last month presided personally over pre-opening ceremonies at A & W Restaurants' third company unit, located in the Short Hills mall here.

Taubman owns A & W. He bought it last year from United Brands, on whose board he sits. And the unit opened here appears to bring him one step further along in a bold and perhaps quixotic attempt to mold a spanking new A & W chain from the remains of a dying organization.

Taubman left no doubt he considers the newest "A & W Great Food Restaurant" close to the prototype of what a contemporary fast-food restaurant should be. "We are what the nation wants and needs," he exclaimed fervently to mall and local officials, company executives and others present here.

Later, in an interview, he again revealed the zeal with which he is attacking what amounts to a recreation A & W.

(Continued on page 90)

LATE NEWSBREAKS

Collins Foods achieved a 28% net profit increase to $12.4 million for the fiscal year ended April 30. Revenues rose 9% to $325.5 million, compared to last year. Chairman Jim Collins attributed most of the gains in fiscal '83 to performance of the company's 71%-owned Sizzler subsidiary, which reported a 105% net profit gain to $5.76 million for the year. Collins has also disclosed an agreement to buy Gil's Enterprises, a KFC franchisee with 41 stores around Seattle, for an undisclosed amount of Collins stock. The deal will give Collins a total of 232 KFC units.

Wienerschnitzel International has converted all 24 of its units in Colorado to its "generic" Hamburger Stand concept, which features plain-wrapped 39¢ burgers. Tests in Los Angeles, Texas and Utah have produced an average 150% gain in unit sales, the company reports.

Fast seafood chains stalking wider share

By Donald Frazier

When Arthur Treacher's disintegrated last year in a flurry of lawsuits, everybody expected segment leader Jerrico to vastly increase its share of the fast seafood business.

But that hasn't happened, for a variety of reasons. Jerrico's 1,300-unit Long John Silver's Seafood Shoppes chain has continued to grow, but its units have experienced flat or declining traffic counts for much of the last 18 months.

Meanwhile, a brace of feisty competitors—Captain D's, as well as regional chains such as Skipper's in the Northwest and McMichael's in the Northeast—are grabbing for their share of the $1.3 billion market, despite the continued dominance of the massive Jerrico chain.

But it may be unreasonable to expect any fast seafood company to gain market share at the expense of another. More than ever before, the chains in this so-called segment are starting to compete directly with the hamburger chains—and the chicken chains, the pizza chains and everybody else—rather than with each other.

"The large companies in this business are starting to realize what the rest of us knew all along," according to a vice president for one smaller Northeastern chain. "There is no such thing as a fast-seafood meal occasion. There are only fast-food meal occasions, and we've got to get out there and fight it out with the McDonald's down the street."

The prospect of stable fish prices over the next year has contributed to this outlook, he said. As hamburger prices continue to climb, the burger chains' price advantage over the seafood operations will continue to diminish.

The result: The fast-seafood segment is starting to get tough on the burger chains.

(Continued on page 12)

Fast seafood segment challenging all comers

(Continued from page 1)

Consider the new Long John Silver's television advertisements, for example. The old ads cast a very broad net by boosting all the basics—quality, service and ambience—which could apply to any restaurant operation.

But the new ones are much more tightly focused. One features a couple spurning a fast-hamburger operation which looks and sounds like a factory and instead choosing Long John Silver's store which is, in contrast, clean and unhurried.

One Jerrico marketing staffer explained the new ads as growing out of the company's perception that the burger chains are vulnerable.

"We did [the ads] that way because our market research tells us there may be a substantial latent 'burger fatigue.' We could exploit that—if we position ourselves right."

Jerrico president Ernest Renaud declined to comment for this article.

Jerrico is not the only company trying to escape the traditional fast-seafood label and seek a broader identity. Skipper's, based in Bellevue, Wash., offers fried chicken, as does Nashville-based Captain D's, which serves hamburgers as well.

These nonseafood items contribute only a small percentage of sales themselves. At Captain D's, for example, fried chicken accounts for only 5% of volume. But the importance of these other items lies in their contribution to seafood sales.

"There's often one person in every large party who doesn't like seafood under any circumstances," explained Douglas Bamford, head of marketing for the 140-unit Skipper's operation. "If we don't have a nonseafood item on the menu for him, he will blackball our store and we won't get any of the business."

Another marketing expert, formerly with Arthur Treacher's, estimated nonseafood items can multiply sales by as much as 350% in some markets.

The failure of any large seafood chain to successfully market a broiled fish product may also indicate that customers think of the seafood chains as one of the fast-food chains and, thus, expect them to serve a fast-food menu, some observers suggest.

"We're not sure it is a viable menu item," Browning reports of broiled fish after a so-far negative test. Skipper's rejected a broiled product proposal last year. Only a few of the smaller operators offer it, and these report limited success.

Long John Silver's test of broiled fish—the most extensive of any fast-seafood chain—has been held indefinitely in 30 units.

Bamford of Skipper's said he believes broiled fish has no place in fast food. "People don't go to a fast-food restaurant for that kind of item, and most kitchens aren't set up to prepare it the right way," he said. One consultant to a number of fast-food companies concurs, claiming broiled fish fails in fast-food units because "It is a seafood dinnerhouse kind of an item, not a fast-seafood item."

Stability in fish prices may also prompt many fast-seafood companies to take on the burger chains. They have been reluctant to do this in the past because cod has cost from 60¢ to $1 a pound more than hamburger in the past, giving the burger chains a strong price advantage.

But the outlook for cod prices over the next year to 18 months is "very favorable," according to stock analyst Michael Culp. Iceland, he said, is "awash" in fish, while Canada has significantly improved the quality of its own product.

Going after the burger chains may bail Jerrico out of a sales slump which lasted much of 1982. The company said real sales declined 2% for comparable units reflecting a 3% price increase for the quarter ended March 31. This follows drops in real unit volumes of 7% for the September 1982 quarter and 5.5% for the next quarter, both compared to the same periods of the previous year.

Jerrico's operations in the grain belt and in oil—about 280 units in all—producing areas have borne the brunt of this downturn. They have suffered, respectively, real sales losses of 3% and 10%, Jerrico said in its quarterly report.

Sales have picked up in the most recent quarter, in most markets by 2%. But stock analysts caution that this modest increase resulted from heavy couponing and promotional activity. Jerrico said it has begun to coupon for the first time during the quarter for its 764 company-operated stores.

Improved efficiency and unit growth, however, have kept these real sales losses per unit from damaging Jerrico's bottom line. The company's net earnings increased 10% over the most recent quarter to $4.5 million, while the operating profits of the company's seafood operations rose 5% to $575,000. During fiscal 1982—a time of declining real sales per unit—revenues increased 12.6% to $427 million, net income nosed upward 5% to $21 million, and 129 new units were built.

But Jerrico's major remaining competitor, Captain D's, actually dropped its prices 2.5% recently, increasing its volumes about 5%, Browning said. Its check average now hovers between $2.85 and $2.90, he said—in striking range of the burger chains.

Despite the stability of Captain D's prices over the last year, the average volumes of the 264 franchised units and the 224 company operations increased just under 10% to $560,000—the highest in the segment.

Further signaling its intention to compete directly with a broad range of restaurant chains, Captain D's is testing a breakfast program in about 22 units. The all-you-can-eat-format and the price $2.49 in most markets—suggest the new meal period is aimed at the coffee shops' end of the market.

But a Captain D's executive reported that the program has hurt other fast-food operations as well. Breakfast traffic declined in the McDonald's stores in the greater Nashville area after the seven Captain D's units there began to serve breakfast.

The program may be rolled out across the chain over the next two years if the various operational questions can be solved and sales goals met.

Browning conceded that his chain's expansion is gradually bringing it into head-to-head competition with Jerrico in some Southeastern markets.

But he pointed out that this situation is so new he can draw no conclusions.

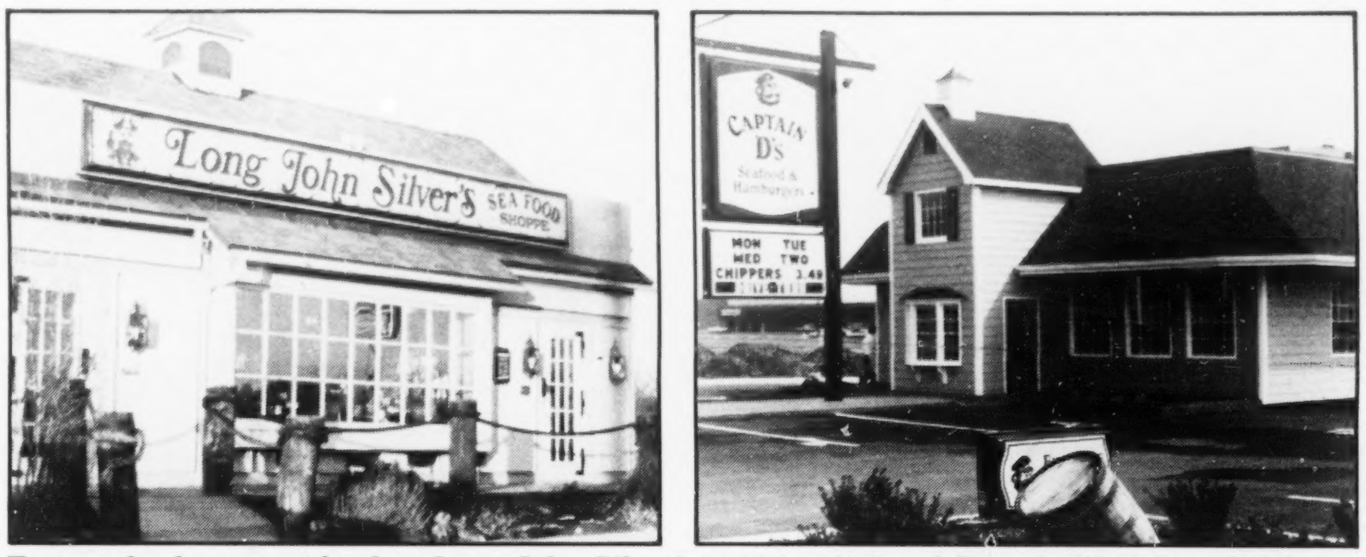
The 140 Skippers' units also felt sales growth over the last year, when the chain's average unit sales grew 8% to $400,000 reflecting only a slight price increase, Bamford said.

Much of this sales increase, he said, came at the expense of the burger chains. His operations face little fast-seafood competition in their market—nine states, mainly in the Far West—while the Skipper's check average of about $3.50 falls only a half dollar above the chains which he considers his principal competitors.

An all-you-can-eat program deserves much of the credit for this performance, Bamford said, pointing out that this idea is unfeasible for a fast-hamburger chain. The Skipper's all-you-can-eat program—fish, fries, clam chowder and coleslaw for $3.79—accounts for 20% of his company's sales.

Meanwhile, the once-strong Arthur Treacher's chain has fallen into complete disrepair in the aftermath of its two-year-long franchisee revolt and the subsequent sale of the company.

The new owners of the Arthur Treacher's name, Lumara Foods of Youngstown, Ohio, had only limited experience in food service before buying the distressed chain. Lumara has continued to operate some units and has maintained some franchises, but much of the system has fallen away. Many franchisees have stayed in the fast-seafood business with their own concepts, such as Gulliver's and McMichael's on the East Coast.



Fast seafood segment leaders Long John Silver's (1,296 units) and Captain D's (428 units) have positioned themselves to compete with all types of fast food—not just each other.

Jo-Ann's acquisition caps Carrols reshaping

By Roman Czajkowsky

SYRACUSE—Carrols Corp.'s just-completed acquisition of the 148-unit Jo-Ann's Nut House chain culminates several years' efforts to reshape the once diversified company into a strictly food service and retail operator.

A publicly held company that at one time was viewed as suffering an identity problem, Carrols has sold its string of movie theaters and discontinued the microcomputer retail stores with which it briefly dabbled in 1981.

Aside from the all-franchised Jo-Ann's retail chocolate and nut shops, its holdings now include 98 Burger Kings in eight Northeastern states—making Carrols the nation's second largest BK franchisee—and a growing fast-food distribution division.

For the fiscal year ended May 31, revenues were an estimated $83 million, up 20% from the year before, while net income from continuing operations was up 125% to about $3 million.

But while the bulk of the Syracuse-based company's revenues comes from its Burger Kings, Jo-Ann's has been targeted as the primary growth vehicle, company officials disclosed at a New York security analysts meeting last month.

According to Herbert N. Slotnick, Carrols' chairman, the company hopes to double current revenues by the end of 1986, mostly through a "very rapid" Jo-Ann's expansion program throughout the country.

Carrols is also considering opening the first company-operated Jo-Ann's by the end of this year.

Jo-Ann's, for which Carrols paid $6 million in cash, are located primarily in regional shopping malls from Maine west to Iowa and south to Florida and serviced through five distribution centers. In addition, Jo-Ann's manufactures candy for its franchises and other retailers, and owns exclusive rights to the Barricini and Loft labels. An upscale chocolate and nut shop, Chez Chocolat, will also figure in future expansion plans, Slotnick said.

The average Jo-Ann's grosses $160,000 a year, though depending on location and store format—the concept includes small kiosks—sales range from $80,000 to $500,000. Franchisees pay an initial franchise fee of $10,000 per unit and 5% of sales in royalties. Depending on unit size and location, it costs between $40,000 and $90,000 to open one of the shops.

Although the operation has enjoyed a stable franchisee base, the challenge to Carrols will be improving operational "disciplines," which according to Slotnick "just don't exist;" establishing an effective communications link between the far-flung franchisees; and devising a national merchandising strategy.

It remains to be seen whether Carrols' plans for Jo-Ann's bear fruit, although the company's management has gained a reputation for aggressiveness by the way it has run its string of Burger King restaurants.

Now a Burger King franchisee for seven years—many of the restaurants are converted Carrols burger shops—the company has been among the pioneers of Burger King menu development. For example, it now offers salad bars at all of its stores, while Burger King Corp. is just now rolling the concept out systemwide; and already 50 of its restaurants feature breakfast, another menu line which the parent company has been slow to deploy.

Moreover, Carrols' management team, and especially David J. Connor, the company's president, have made little effort to conceal their irritation with what they perceived to be Burger King's previously unaggressive marketing posture, its lack of decisiveness when it came to new menu introductions, and the repeated turnover of top personnel.

Although many of the company's Burger Kings are located in areas of the Northeast that have felt the brunt of the recent recession, average Carrols Burger Kings have sales on a par with BK's systemwide average—about $800,000. For the quarter ended May 31, store sales were up 12%—about 6% in real sales—over the same period a year ago.

But the company's BK expansion program "is not going to be aggressive," Slotnick said, adding that Carrols' BK strategy calls for buying up existing restaurants and locating in major shopping malls. With the acquisition of Jo-Ann's, Carrols clearly prefers to be a national franchisor in its own right than a regional franchisee.

One division which Carrols wants to expand more ambitiously is the food distribution service it began in 1975. Currently serving all of Carrols' Burger Kings as well as 75 other BK restaurants, the division has just started to go after institutional accounts with such items as ground beef, potatoes, produce and some condiments. But while the institutional sector holds good potential, Carrols has "no intention" of becoming a "full-fledged" distributor carrying thousands of items, Slotnick said. Food distribution accounted for about $14 million of the estimated $83 million in sales for the most recent fiscal year.

Nineteen franchisee associations join to form new national coalition

WASHINGTON—Fast-food franchisee activists have regrouped to form a new national coalition designed to protect the interests of independent franchise owners.

The new organization—a league of some 19 separate franchisee associations from food service and other fields—surfaced late last month from the ashes of the old National Franchise Association Coalition which led the battle for controversial state and Federal restrictions on franchise terminations and nonrenewals during the 1970's.

A primary objective of the original franchisee coalition was to secure Federal legislation limiting the power of chains to terminate or refuse to renew licensing agreements with franchisees. Such a bill has already been reintroduced this session by Rep. Robert Roe (D-N.J.) and a number of state legislatures are likely to consider similar proposals this year.

COMMODITIES

Overall food prices up; weather seen as cause

NRN Special Report

California, a major supplier of fruits and vegetables, is feeling the effects of the disastrous weather earlier this year in a number of crops limited in growth. The Midwest was also affected by storms and low temperatures, with many of its crops, particularly fruits, running up to two weeks behind in maturity, causing worry in some cases about damage from fall storms during harvest.

Lettuce from California fields is up in price, as much as 2½ times over last year. This is the result of storms which delayed plantings earlier this year, particularly in the Salinas Valley, Santa Maria and San Joaquin areas. Prices should eventually even out as late plantings come to maturity, but there will be some uneven swings in price through this month.

Frozen asparagus prices rise this month, advancing at the packer level by 1.5 to 3¢ per pound for food-service packs. Expect canned asparagus price hikes as well. The crop in California, which is the major packing area, was hurt badly by the storms this spring. Many plants were totally destroyed by water standing in the fields.

Canned pea prices are trending up, with some packers in California, Midwest and Middle Atlantic states advancing prices on generally reduced crop prospects. Stock carryover from last year is generally lower than desirable.

One bright spot is the Northwest, which expects good growing conditions generally, although there is always worry about rain on the eastern slopes of the mountains which divide the area. Barring drought, however, prospects are good for peas, green beans and sweet corn. The area is also a packer of carrots, onions and beets and a major producer of dried beans and lentils. If weather holds, farmers are expecting good crops all around.

Overall, the fruit picture is gloomy. Michigan's red cherry crop is expected to be below last year. At presstime, everyone was awaiting the U.S. Department of Agriculture forecast for the crop, but informed sources estimate that it will be up to 30%

(Continued on page 89)

PRICE MOVEMENT AT A GLANCE

	June 10, 1982	May 10, 1983	June 10, 1983
Asparagus, frozen, cuts & tips, Calif. (lb.)	$ 1.80	$ 1.20	$ 1.23
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 1.14	$ 1.06	$ 1.04
Broilers, icepack, Grade A, NYC (lb.)	$ 0.5138	$ 0.4939	$ 0.5217
Coffee, green bean, Brazilian, NYC (lb.)	$ 1.42	$ 1.27	$ 1.28
Eggs, large white, Grade A, Chicago (doz.)	$ 0.5675	$ 0.705-0.71	$ 0.685-0.69
Lettuce, iceberg, Calif. (24s)	$ 3.50-4.00	$ 9.00-10.00	$ 8.00-10.00
Peaches, cling, Choice HS, Calif. (6/10)	$12.50	$13.50	$14.25
Peas, canned, Fancy 4 sieve, Midwest (6/10)	$ 9.75	$10.75	$10.80
Pork loins, Choice, 14-17 lb., Midwest (lb.)	$ 1.19	$ 1.03	$ 1.01
Potatoes, round white, Maine (50 lb.)	$ 6.00	$ 3.00	$ 4.50

Source: NRN Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Marriott Corp. plots rapid move into lower-priced hotel segment

By Joe Edwards

BETHESDA, Md.—Marriott Corp. is building five moderately priced "modern country inns" called Courtyard by Marriott that will open in rapid succession in Georgia starting this fall. Three will be in Atlanta and one each in Augusta and Columbus.

This test of a lower-priced concept comes at a time when mid-priced chains such as Holiday Inn, Ramada Inn and Quality Inn are developing upper-end hotels to compete with Marriott, Hilton, Hyatt, and Sheraton.

Courtyard by Marriott properties will have between 125 and 150 rooms each in two-story, motel-like buildings. Room rates will range from $45 to $55 a night. Each hotel will have a small, upscale coffee shop and swimming pool.

Marriott will test the Courtyard concept for about a year and then decide whether to expand it. "We wouldn't be doing this if we couldn't take it national," said a spokesman, Terry Souers, at headquarters here.

A leading lodging and food-service company, Marriott operates more than 120 hotels, resorts and franchised inns with room rates of $60 to $100 and more a night. Most newer Marriotts have been upper-end, high-rise affairs in cities and at airports.

The Courtyard concept represents a low-risk experiment for Marriott, whose hotel sales this year are expected to exceed $1.2 billion. It will cost about $25,000 per room to build the new hotels, compared with about three times that amount or more for a traditional Marriott, depending on location.

Most Marriott hotels trade on the upper-end of the mid-priced segment and appeal to business travelers and groups. Courtyard by Marriott will appeal more to families and individual pleasure travellers.

Marriott officials have been expressing an interest in broadening the scope of the company's hotel group. Its first step toward diversification came last year when construction began on two large downtown convention hotels, the 1,887-room New York Marriott

(Continued on page 89)

MAN-IN-THE-NEWS

Campbell thrust into BK hotseat

By Roman Czajkowsky

MIAMI—J. Jeffrey Campbell is known in industry circles as an incisive, energetic and imaginative fast-food executive. The question is whether Campbell, just named chairman and chief executive officer of Burger King Corp., will be able to keep the country's No. 2 fast-food chain on its current fast track now that Norman Brinker has left.

It was Brinker, after all, who was generally credited with coaching the burger chain into its current aggressive stance, which includes the successful comparative advertising campaign that directly took on the chain's main rivals.

But BK parent Pillsbury, as well as Brinker himself, seem to have been impressed enough with Campbell's performance to have picked him for the chain's top spot.

Campbell's appointment caps a meteoric rise up the corporate ladder rarely seen even in the fast-paced fast-food industry.

A former paratrooper, Campbell, 39, joined Burger King as advertising manager straight from a New York advertising agency where he worked on a BK account. Climbing his way up the ranks, he became marketing manager, then vice president, marketing department.

Eager to learn the operations side of the business, Campbell in 1978 became regional manager in Minneapolis, then was placed in charge of the New York region, where his responsibilities spanned the spectrum of the fast-food business: restaurant operations, personnel management, real estate, engineering, franchise sales and marketing.

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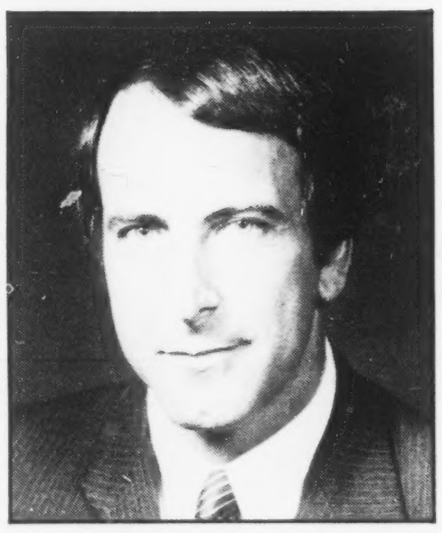


Jeffrey Campbell

Campbell on meteoric rise; Smith, Jenkins promoted

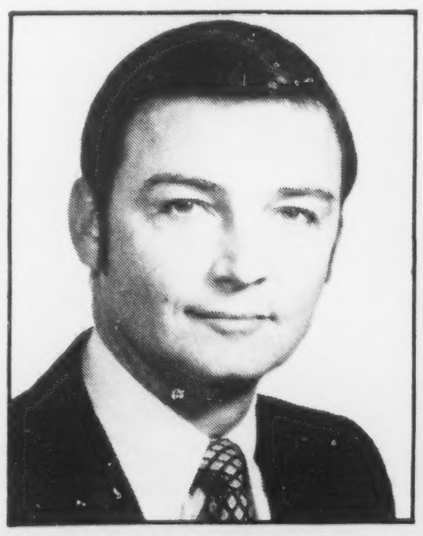
MIAMI—Jeffrey Campbell, a marketing expert who was promoted only two months ago from Burger King-U.S.A. president to worldwide operations president, has been named chairman and chief executive. He succeeds Norman Brinker, who is now Dallas-based Chili's ceo.

Jerry Ruenheck continues as Burger King corporate president and chief operating officer.

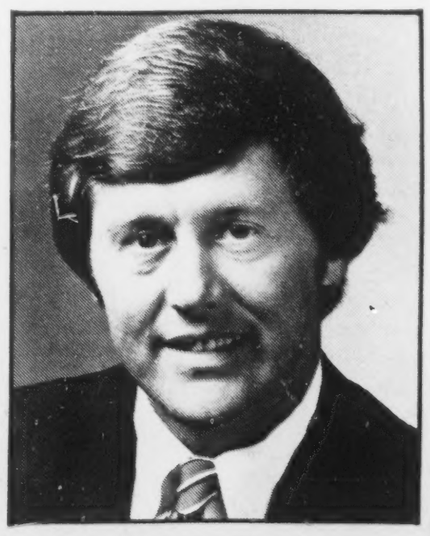
In leapfrogging Campbell over Ruenheck for ceo, Pillsbury is hoping to keep both executives and utilize their talents, although Ruenheck's reaction is uncertain. Most of all, Pillsbury would like to stabilize the Burger King ceo post which since the departure of Donald N. Smith in 1980 has been filled for 1½ years by Lou Neeb, formerly Steak & Ale restaurants president and now president of W. R. Grace's fast-food division (Del Taco), and then for a year by Brinker, who repeatedly emphasized his role of "training and delegating to other executives so they can move up."

In Dallas, Hal Smith moves up from president and chief operating officer of Pillsbury's S&A Restaurant Corp. to succeed Brinker as chairman and ceo. Michael Jenkins goes from Steak & Ale restaurants vice president and general manager to succeed Smith as S&A Corp. president and chief operating officer.

Campbell and Smith both will report to Winston Wallin, Pillsbury corporate president and chief operating officer.



Jerry Ruenheck



Hal W. Smith

Wendy's lets slip the ads of war with burger battle counterstrike

By Joe Edwards

DUBLIN, Ohio—Just when consumers were thinking it was safe to go back to their favorite burger restaurants, Wendy's International revived the "battle of the burgers" with a $20 million TV ad campaign that began June 13.

In a series of six light-hearted spots, Wendy's pokes fun at McDonald's and Burger King, the two largest burger chains, by showing their customers "victimized" by frozen and reheated burgers and long waits for special orders at drive-thru windows and service counters.

Unlike Burger King's recent ads, Wendy's spots do not name names. They concentrate on what Wendy's officials perceive as the competition's weak points and note that Wendy's cooks fresh burgers to order.

Wendy's decision to do some mud-slinging a la Burger King is the latest major offensive in the fast-food burger segment's market share war. The new campaign comes at a time when Wendy's, along with most other fast feeders, is suffering through an extended period of flat real sales growth and declining customer counts.

Some Wendy's franchisees have claimed Burger King's advertising campaign, which made unsubstantiated claims about consumer preferences for Burger King's cooking methods, were at least partially responsible for Wendy's recent troubles.

Officials at Wendy's headquarters here have denied the decision to join the burger battle on Burger King's level was the result of franchisee pressure for a get-tough marketing stance. The new ads merely represent the second phase of the "Wendy's Kind of People" campaign that began last year, says Joseph Mack, senior vice president.

While there has already been some public criticism of the campaign, Wendy's franchisees are apparently delighted. It is "about time," they say, that the parent company fought back by emphasizing Wendy's unique niche as a "quality" fast feeder.

"It's very exciting for us," says Bob Fulmer, marketing director of Wendy's of Wichita, operators of 11 Wendy's in Kansas and four in Amarillo, Tex. "I'm very supportive of this strategy. It's about time."

Fulmer says he likes the tone of the ads: "The humorous approach is a very clever way of going about this. People will remember it and the ads tell the story very clearly." Like some other Wendy's franchisees, Wendy's of Wichita reports unit sales have been down compared with last year but in recent weeks sales have been "pretty

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